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E.O. 12958: DECL: 12/27/2016

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SUBJECT: MINISTER OF FINANCE DISCUSSES THE 2007 BUDGET

Classified By: Acting Economic Minister-Counselor Edward Kloth for reasons 1.4(b) and (d).

¶1. (C) Summary: Minister of Finance Bayan Jabr (Shia - SCIRI) told the Treasury Attache in a December 24 meeting that "all the Ministers are happy with the 2007 budget, because we gave them what they needed", including \$10 billion in capital investment projects and over \$7 billion for security ministries. The Council of Ministers unanimously approved the budget on December 21, and it was submitted to the Council of Representatives (CoR) on December 24 (septel). Minister Jabr said that money will be released earlier in 2007 than in 2006 and that the GOI is taking measures to increase the rate of budget execution. Minister Jabr is reaching out to the CoR about the budget, and does not expect major changes to occur during the CoR review process. End summary.

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The 2007 Budget Goes to the CoR  
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¶2. (C) Sitting with members of his budget formulation team, the Minister of Finance said that the work had been hard, but successful. Following the Council of Minister's unanimous approval of the 2007 draft budget on December 21, the CoR formally announced its receipt on December 24. Minister Jabr is actively reaching out to members of the CoR. He does not expect major changes to occur, although he thinks that the CoR will increase allocations to the provinces. Minister Jabr also expects the CoR to decrease the allocations for the Office of the Prime Minister and the Cabinet.

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Providing Fuel Without an Allocation  
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¶3. (C) Minister Jabr confirmed that there was no allocation for government fuel imports and subsidies in the 2007 budget. "The IMF insisted that we remove this allocation," he said. Minister Jabr said that the government would still import fuel, until the private sector could respond to the new law legalizing fuel imports, but that the fuel would be sold at market prices. If necessary, Minister Jabr stated, the Ministry of Finance could advance \$300 or \$400 million to the Ministry of Oil to import the first shipments of fuel to start the process.

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Incentives for Budget Execution  
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¶4. (C) The Minister of Finance is well aware of the problems the GOI has had in executing its 2006 budget and wants to pressure ministries to perform. Minister Jabr said that in 2007 there will be a mid-year review of the execution rate of capital expenditures, "and if the ministries have not spent

their budget they will lose 50% of the allocation." Jabr praised the Minister of Planning's recent distribution of budget execution rates at a Council of Ministers meeting. "The Minister of Oil, with just .1% of his capital budget executed, was angry. But he is not doing his job!" he said. Minister Jabr welcomed the Treasury Attache's suggestion of assistance in holding a budget execution workshop in January 2007, and in using the Financial Management Information System (FMIS) for better monitoring of budget execution rates.

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Comment  
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15. (C) The Council of Representatives was supposed to have received the draft 2007 budget on October 15, rather than on December 24. While the CoR cannot go on official recess before passing the budget, the next plenary session is likely to be on January 7, 2007, after the Eid holidays. Comparisons of the 2006 and 2007 budgets show an increase in dollar allocations across the board, largely due to the depreciated dollar. Iraqi dinar allocations are mostly steady. Allocations are less important than increasing the rates of budget execution, particularly in priority discretionary spending. Post will report further details of the draft 2007 budget separately. End comment.  
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